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DEPARTMENT OF EDUCATION

Annual notice of interest rates of Federal student loans made under the William D. Ford Federal Direct Loan Program

AGENCY: Federal Student Aid, Department of Education.

ACTION: Notice.

Catalog of Federal Domestic Assistance (CFDA) Number:

84.268.

DATES: This notice is effective [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER].

SUMMARY: In accordance with by section 455(b)(9) of the Higher Education Act of 1965, as amended, the Chief Operating Officer for Federal Student Aid announces the interest rates for the period July 1, 2012, through June 30, 2013, for loans made under the William D. Ford Federal Direct Loan (Direct Loan) Program. The Chief Operating Officer takes this action to give notice of Direct Loan interest rates to the public.

FOR FURTHER INFORMATION CONTACT: Ian Foss, U.S. Department of Education, 830 First Street NE., room 114I1, Washington, DC 20202. Telephone: (202) 377-3681 or by email:

ian.foss@ed.gov.

If you use a telecommunications device for the deaf (TDD) or a text telephone (TTY), call the Federal Relay Service (FRS), toll free, at 1-800-877-8339.

Individuals with disabilities can obtain this document in an accessible format (e.g., braille, large print, audiotape, or compact disc) on request to the contact person listed under FOR FURTHER INFORMATION CONTACT.

SUPPLEMENTARY INFORMATION: Section 455(b) of the Higher Education Act of 1965, as amended (HEA) (20 U.S.C. 1087e(b)), provides formulas for determining the interest rates charged to borrowers for loans made under the Direct Loan Program including: Federal Direct Subsidized Stafford Loans (Direct Subsidized Loans); Federal Direct Unsubsidized Stafford Loans (Direct Unsubsidized Loans); Federal Direct PLUS Loans (Direct PLUS Loans); and Federal Direct Consolidation Loans (Direct Consolidation Loans).

The Direct Loan Program includes loans with variable interest rates and loans with fixed interest rates. Most loans made under the Direct Loan Program before July 1, 2006, have variable interest rates that change each year. In most cases, the variable interest rate formula that applies to a particular loan depends on the date of the first disbursement of the loan. The variable rates are determined annually and are effective for each 12-month

period beginning July 1 of one year and ending June 30 of the following year.

Under section 455(b) of the HEA, Direct Loans first disbursed on or after July 1, 2006, have a fixed interest rate.

In the case of some Direct Consolidation Loans, the interest rate is determined by the date on which the Direct Consolidation Loan application was received. Direct Consolidation Loans for which the application was received on or after February 1, 1999, have a fixed interest rate. This fixed rate is based on the weighted average of the loans that are consolidated, rounded up to the nearest higher 1/8 of one percent up to a maximum rate of 8.25 percent.

Under section 455(b) of the HEA, the Direct Loan variable interest rates are based on formulas that use the bond equivalent rates of the 91-day Treasury bills auctioned at the final auction held before June 1 of each year, plus a statutory add-on percentage. These formulas apply to all Direct Subsidized Loans and Direct Unsubsidized Loans; Direct Consolidation Loans for which the application was received on or after July 1, 1998, and before February 1, 1999; and Direct PLUS Loans disbursed on or after July 1, 1998. In each case, the calculated rate

is capped by a maximum interest rate. The bond equivalent rate of the 91-day Treasury bills auctioned on May 29, 2012, which is used to calculate the interest rates on these loans, is 0.086 percent, which is rounded to 0.09 percent.

In addition, under section 455(b)(4) of the HEA, the interest rate for Direct PLUS Loans that were first disbursed on or after July 1, 1994, and before July 1, 1998, is based on the weekly average of the one-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System on the last day of the calendar week ending on or before June 26 of each year, plus a statutory add-on percentage. The calculated rate is capped by a maximum interest rate. The weekly average of the one-year constant maturity Treasury yield published on June 22, 2012, which is used to calculate the interest rate on these loans, is 0.19 percent.

This notice includes five charts containing specific information on the calculation of the interest rates for loans made under the Direct Loan Program.

Chart 1 contains information on the interest rates for variable-rate Direct Subsidized and Direct Unsubsidized Loans.

Chart 2 contains information on the interest rates for variable-rate Direct PLUS Loans.

Chart 3 contains information on the interest rates for variable-rate Direct Subsidized Consolidation Loans and Direct Unsubsidized Consolidation Loans.

Chart 4 contains information on the interest rates for variable-rate Direct PLUS Consolidation Loans.

Chart 5 contains information on the interest rates for fixed-rate Direct Subsidized, Direct Unsubsidized, and Direct PLUS Loans.

| Chart 1 – Variable-Rate Direct Subsidized and Direct Unsubsidized Loans | | | | | | | |
|---|------------------------|--------------|--------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| Cohort | | Max. Rate | Index Rate | Margin | | Total Rate | |
| First Disbursed On or After | First Disbursed Before | | 91-Day T-Bill Rate | In-School, Grace, Deferment | All Other Periods | In-School, Grace, Deferment | All Other Periods |
| 7/1/1994 | 7/1/1995 | 8.25% | 0.09% | 3.10% | 3.10% | 3.19% | 3.19% |
| 7/1/1995 | 7/1/1998 | 8.25% | 0.09% | 2.50% | 3.10% | 2.59% | 3.19% |
| 7/1/1998 | 10/1/2006 | 8.25% | 0.09% | 1.70% | 2.30% | 1.79% | 2.39% |

| Chart 2 –Variable-Rate Direct PLUS Loans | | | | | | |
|--|------------------------|--------------|--------------------|-----------------------------------|--------|------------|
| Cohort | | Max. Rate | Index Rate | | Margin | Total Rate |
| First Disbursed On or After | First Disbursed Before | | 91-Day T-Bill Rate | 1-Year Constant Treasury Maturity | | |
| 7/1/1994 | 7/1/1998 | 9.00% | - | 0.19% | 3.10% | 3.29% |
| 7/1/1998 | 10/1/2006 | 8.25% | 0.09% | - | 3.10% | 3.19% |

In the remaining Charts 3 through 5, an asterisk following a date in a cohort field indicates that the trigger for the rate to apply is an application for a

Direct Consolidation Loan being received either "on or after" or "before" the date in the cohort field. For example, the fourth row in Chart 3 describes the interest rate for Direct Subsidized and Unsubsidized Consolidation Loans for which the application was received before October 1, 1998, and that were first disbursed on or after October 1, 1998.

| Chart 3 – Variable-Rate Direct Subsidized and Direct Unsubsidized Consolidation Loans | | | | | | | |
|---|------------------------|-----------|--------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| Cohort | | Max. Rate | Index Rate | Margin | | Total Rate | |
| First Disbursed On or After | First Disbursed Before | | 91-Day T-Bill Rate | In-School, Grace, Deferment | All Other Periods | In-School, Grace, Deferment | All Other Periods |
| 7/1/1994 | 7/1/1995 | 8.25% | 0.09% | 3.10% | 3.10% | 3.19% | 3.19% |
| 7/1/1995 | 7/1/1998 | 8.25% | 0.09% | 2.50% | 3.10% | 2.59% | 3.19% |
| 7/1/1998 | 10/1/1998 | 8.25% | 0.09% | 1.70% | 2.30% | 1.79% | 2.39% |
| 10/1/1998 | 10/1/1998* | 8.25% | 0.09% | 1.70% | 2.30% | 1.79% | 2.39% |
| 10/1/1998* | 2/1/1999* | 8.25% | 0.09% | 2.30% | 2.30% | 2.39% | 2.39% |

| Chart 4 – Variable-Rate Direct PLUS Consolidation Loans | | | | | | | | |
|---|------------------------|-----------|--------------------|-----------------------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| Cohort | | Max. Rate | Index Rate | | Margin | | Total Rate | |
| First Disbursed On or After | First Disbursed Before | | 91-Day T-Bill Rate | 1-Year Constant Treasury Maturity | In-School, Grace, Deferment | All Other Periods | In-School, Grace, Deferment | All Other Periods |
| 7/1/1994 | 7/1/1998 | 9.00% | - | 0.19% | 3.10% | 3.10% | 3.29% | 3.29% |
| 7/1/1998 | 10/1/1998 | 9.00% | 0.09% | - | 3.10% | 3.10% | 3.19% | 3.19% |
| 10/1/1998 | 10/1/1998* | 9.00% | 0.09% | - | 3.10% | 3.10% | 3.19% | 3.19% |
| 10/1/1998* | 2/1/1999* | 8.25% | 0.09% | - | 2.30% | 2.30% | 2.39% | 2.39% |

| Chart 5 – Fixed-Rate Direct Subsidized, Direct Unsubsidized, and Direct PLUS Loans | | | | |
|--|------------------------|-----------------------------|------------------------|-------|
| Loan Type | Student Grade Level | First Disbursed On or After | First Disbursed Before | Rate |
| Subsidized | Undergraduate Students | 7/1/2006 | 7/1/2008 | 6.80% |

| | | | | |
|---------------|--|----------|----------|--|
| Subsidized | Undergraduate Students | 7/1/2008 | 7/1/2009 | 6.00% |
| Subsidized | Undergraduate Students | 7/1/2009 | 7/1/2010 | 5.60% |
| Subsidized | Undergraduate Students | 7/1/2010 | 7/1/2011 | 4.50% |
| Subsidized | Undergraduate Students | 7/1/2011 | 7/1/2013 | 3.40% |
| Subsidized | Graduate/Professional Students | 7/1/2006 | 7/1/2012 | 6.80% |
| Unsubsidized | All Students | 7/1/2006 | 7/1/2013 | 6.80% |
| PLUS | Parents and Graduate/Professional Students | 7/1/2006 | 7/1/2013 | 7.90% |
| Consolidation | All | 2/1/1999 | 7/1/2013 | Weighted average of rates on the loans included in the consolidation, rounded to 1/8 of 1 percent, up to 8.25 percent. |

Note: Under the Budget Control Act of 2011 (Pub. L. 112-25) and effective for loan periods beginning on or after July 1, 2012, graduate and professional students are no longer eligible for Direct Subsidized Loans.

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Dated: January 18, 2013.

James W. Runcie,
Chief Operating Officer
Federal Student Aid.

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